

OFFICE OF THE CITY MANAGER NO. LTC # 069-2013

LETTER TO COMMISSION

TO:

Mayor Matti Herrera Bower and Members of the City Commission

FROM:

Kathie G. Brooks, Interim City Manager

DATE:

February 28, 2012

SUBJECT: Impact of the Patient Protection and Affordable Care Act to the City of Miami

Beach for the 2013 Plan Year

We have now entered into the third year of the Patient Protection and Affordable Care Act (PPACA). In order to comply with mandates of the PPACA, the City made the following changes to its health plans during the previous two years which, resulted in little, if any, cost impacts to the City's medical plans. The following outlines the revised provisions of the PPACA and the impacts associated with these changes to the City's medical plans.

# Revised Provisions Effective in the 2011 Plan Year

Lifetime dollar limits removed from all plans This mandate eliminated the City's \$2M lifetime limits on its Standard HMO and Standard PPO plans and eliminated the \$5 million lifetime limit on its Premium HMO, Premium PPO and POS plans.

Dependent coverage increased from age 25 to age 26

The Administration monitored the enrollment of dependent coverage for those over age 25 during the 2011 Annual Open Enrollment period. There were no new enrollments of dependents who were age 25 during the 2011 enrollment period. There were some previously enrolled dependents who attained age 25 during the plan year whose coverage was extended to age 26. At this time, no perceptible cost impact to the plan has been determined.

- Elimination of pre-existing condition limitations for enrollees up to age 19 Previously, employees would have provided a HIPPA Certification indicating that their dependent had health coverage in the prior 18 months. This certification removed the pre-existing limitation for the dependent. At this time, no perceptible cost impact to the plan has been determined.
- No recessions, meaning an employer cannot retro-actively terminate an employee's coverage, unless there was an error in the employee's enrollment The City has not experienced a correction in an employee's enrollment that has created a retroactive termination of benefit coverage. Plan enrollments are audited annually to ensure that the employee is enrolled in the plan option elected.

 Coverage for preventative care received by network physicians provided at no cost sharing by the plan participant

In reviewing claims costs, we have not recognized a significant impact to the cost of preventative care to the plans.

 New requirements for appeals to the plan for coverage of services not covered by the plan, including plan response deadlines and final, external review from an outside, third party were required

The City is contracted with the benefits plan carrier which requires the plan carrier to act as the Plan Fiduciary, eliminating the responsibility from the City to make coverage determinations based on a participant's benefit appeal. The expenses for these required changes were the responsibility of the benefits carrier as Plan Fiduciary and not the City and thus, were absorbed by the City's current plan carrier, Humana.

# Effective in the 2012 Plan Year

• W-2 Form reporting for the employer cost share of the employees elected health care coverage

This information is included on the 2012 W-2 Forms received by all employees. Changes were made internally to the City's computer system providing for the printing of the information on the employee's W-2. The City did not incur a cost.

 Distribution of a uniform summary of benefits reflecting the scope of coverage by the plan, provided in a 12-page document, written in simple language to be distributed no later than March 2013

Humana is providing the summaries of benefits to the City at no additional cost. These summaries of benefits will be electronically available to all employees in March 2013.

# Effective in the 2013 Plan Year

• The plan year limit for Health Care Flexible Spending Accounts reduced to \$2,500 from \$5,000

Flexible Spending Accounts are funded solely from employee contributions; therefore, there is no cost impact to the City.

- Annual dollar limits on essential health benefits cannot be lower than \$2M The City's plans did not have dollar limits on the benefits provided, (all of the plans have a limitation on the number of annual visits per year) therefore, there is no cost impact to the City.
- Comparative Effectiveness Fees for group health plans

PPACA imposes a new fee on group health plans to promote research comparing effectiveness and risks of medical treatments. The initial fee is due by July 31, 2013. For the 2013 plan year, the fee is \$1.00 multiplied by the average number of covered lives (based on enrollment for the previous year). For the 2014 plan year, the fee increases to \$2.00 per average covered life. For later years, the fee will increase in accordance with medical inflation. The fee will only apply through the 2019 plan year. Currently, the average enrollment for all active employees in the City's five medicals, including the FOP and IAFF

Health Trusts, is 1,494 lives. For 2013, the City's cost for the Comparative Effectiveness Fee will be \$1,494.

#### FICA Tax Increase

Effective January 1, 2013, the Medicare withholding increased from 1.45% to 2.35% for wages over \$200k (or \$250k for married couples filing jointly).

#### Notice of Insurance Exchanges

Employers must provide notice to all employees explaining their right to purchase healthcare coverage through an exchange, their right to possible eligibility for potential government subsidies for healthcare coverage purchased through an exchange, and other features of the exchange. However, as of this date, no guidance has been provided to employers as to what information to share with their employees. The Department of Labor (DOL) has postponed distribution of this notice to employees until the notice can be coordinated with the Health and Human Services (HHS) educational efforts and the Internal Revenue Service (IRS) guidance regarding the minimum value that can be provided. The DOL expects that the timing of distribution of these notices will be in late summer or fall of 2013, coordinating with the open enrollment period for the exchanges.

The Administration is currently working closely with its benefit consultants, Gallagher Benefits Services, to monitor any changes in the current mandates, to comply, implement and determine the cost impact of future mandates of the PPACA for plan year 2014 through 2018. Information regarding future impacts to the City's medical plan, including the estimated cost impact to the plans, will be provided to the members of the City Commission as soon as they are available.

Should you have any questions, or need additional information, please feel free to contact me.

KGB/CG/sr